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L.A. Beat: Discounters inroads

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Chain Store Age

GENERAL MERCHANDISE DEPARTMENTS

JULY

1987

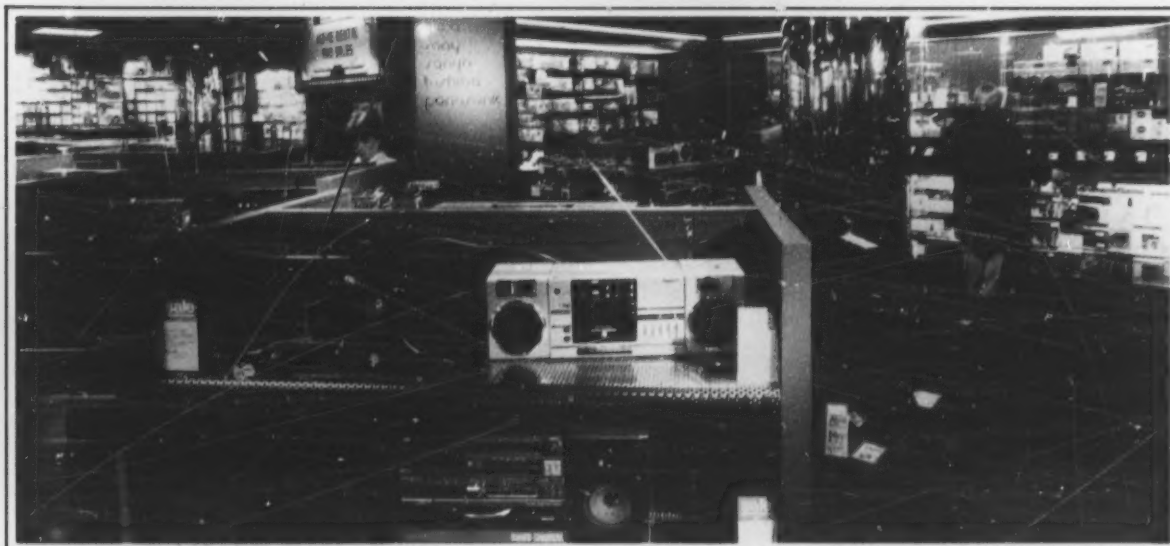
*Planning a
Merry Christmas:*

**Retailers
pick
holiday
top
sellers**

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CHAIN STORE AGE General Merchandise Trends (ISSN 0895-050X) is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022, and is distributed free-of-charge to qualified retailers and wholesalers in the United States and Canada. Non-qualified retailers, manufacturers and all others, \$25 a year; Canada \$27 (U.S. \$) a year. Retailing schools and libraries, \$15 a year; Canada \$17 (U.S. \$) a year. Foreign subscriptions: Airmail only, \$125 a year. Single copy rate \$2. Second Class postage paid at New York, N.Y., and at additional mailing offices. Vol. 63, No. 7. Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved.

ALL CORRESPONDENCE should be addressed to Executive Offices, Chain Store Age General Merchandise Trends, 425 Park Ave., New York, N.Y. 10022. For a change of address, six weeks notice to Circulation Fulfillment Director, 305 Madison Ave., Suite 535, New York, N.Y. 10164-0659, is requested. Give old and new address and zip code. If possible enclose address portion from cover on previous issue. Postmaster: Please send address changes to *Chain Store Age, General Merchandise Trends*, Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Member Audit Bureau of Circulations, Second Class Mail Publications Inc., and Magazine Publishers Association.

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More watchers, but fewer TV shoppers

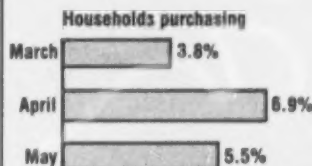
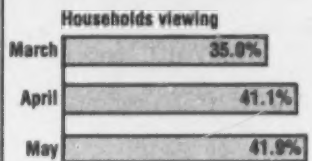
Could home television shopping be peaking? According to the latest *Chain Store Age*/Leo J. Shapiro & Associates monthly survey of TV shopping, the number of households reporting that they have watched the new selling craze is at an all-time high. In the nationwide, random telephone poll, 41.9% of families say that they have watched TV shopping at least once.

But on the average, families in the poll report watching fewer hours of home TV shopping programming and are making fewer purchases. Still, it is too early to pull the plug of TV shopping. As one TV shopping exec recently confided to *Chain Store Age* privately, "Anyone who tells you that he understands this business, is lying."

According to the poll, the number of families who are watching TV shopping shows are up. In the week immediately preceeding the most recent survey, conducted in May, 35.7% report having watched at least one of the shows. In the March poll, 27.6% said they had viewed the shows in the previous week.

Average viewing time, however, is down from the March survey. In that poll, families reported watching an average of 2.6 hours. In the latest survey, the

Home television shopping
1987



Source: *Chain Store Age*/
Leo J. Shapiro & Associates

average viewing time is down to 2.4 hours.

Actual buying is down in the most recent survey, too. In the April poll, 88% of those who had watched also bought at least once. In the July poll, the number has slipped to 86%. The date of the last purchase is also moving further into the past. In the latest poll, 64.9% report that their last TV buy was more than three months ago. In the March survey the number was 42.4%.

Video renters lose 2 million turns weekly

Video rental customers are not too surprised when they cannot find a specific tape available on a Saturday night. But the number of lost video rentals adds up to an astounding 2 million turns per week, according to Video Flash, a New York-based sales and rental tracking service for the home video industry.

Nonetheless, video renters in the national 2,000 household survey report that they are generally satisfied with the rental process.

"Customers may come to rent one tape, but leave with another—and if they like the tape they rented, the whole process could

be quite acceptable to them," says Video Flash project manager Jay Flourde.

While the customer may not be dissatisfied with the current state of rental availability, the industry certainly should be. According to the Video Flash report, retailers lose 2 million rentals every week when customers actually made a trip to the rental store to find a specific tape and could not find it.

The number includes both customers who left the store empty handed and others who rented another tape in place of their original choice.

Assuming an average rental ticket of between \$1 and \$2, the lost sales amount to between \$100 million and \$200 million annually.

New Jersey re-tailers eye growth

The future looks bright for New Jersey retailers. At least, they think so. A survey of the state's retailers by the New Jersey Retail Merchants Association shows that more than 80% of the respondents are planning for growth over the next three years via remodeling stores and addition of new stores.

The survey tabulated for NJRMA by Touche Ross shows that 60% of the respondents expect 1987 profits to exceed last year's level, though only 38% see an increase in profits for the industry as a whole.

According to NJRMA president Melanie Willoughby, more than 90% of the retailers expect a sales increase this year, with more than a third of the companies targeting that increase above 10%. Higher retail profits will come from higher gross margins, which are expected by more than 40% of the retailers, Willoughby says.

The survey taken in January among a cross-section of department, specialty, and mass merchandisers throughout the state reflected optimism, despite a concern about the industry in general, effects of the new tax law and increases in competition and labor costs.

Retailers are aware that improved results will not be achieved easily, said Randy Allen, chairman of the Retail Committee for Touche Ross. "In large numbers, retailers [in the survey] expect to be impacted by increases in labor costs (62%) and competition (58%), as well as by a growing labor shortage (43%)."

According to Allen, "To deal with these issues while increasing sales and profitability, retailers are planning to raise their customer service (29%), improve their inventory (24%), run special promotions (18%), and maintain everyday low-price strategy. While 38% expect increased sales to be the key to profitability, 27% point to their control of expenses for profitability, and 19% see control of markdowns as the key," Allen said.

RETAILERS PREDICT SLIMMER MARGINS

Repeating the pattern of last year, sales for the remainder of 1987 are expected to continue on the upswing. But gross margins will come under increasing pressure.

It was a tough year for the top merchandise departments in 1986, and this year will be just as difficult. The top departments measured by *Chain Store Age* recorded a combined 5.2% sales gain last year—about half the pace set in the previous two years. Making estimates for 1987 is proving difficult, but this year's increases should come in at about the same rate as in 1986.

Repeating the pattern of last year, sales are expected to continue on the upswing, but profits will come under increasing pressure. Last year, for example, the fastest growing of the top merchandise departments was \$12.7 billion photo/camera, which posted an 11% sales gain.

Few retailers, however, even budgeted the department out of the red, and they were not disappointed. Gross margins slipped to murderously low levels—an average of only 16% for discounters, according to *Chain Store Age* research.

For home electronics, the biggest of the top departments with \$38 billion in sales last year, the pattern



Electronics sales will top \$40 billion in 1987, but profits will grow slowly.

which characterized the last quarter of 1986 threatens to plague the industry this year, too. During the Christmas selling season, margins for most electronics retailers slipped almost two points last year. So far in 1987, a recovery in margin

performance does not seem likely.

But electronics sales are expected to grow about 5% in 1987, making up in volume what it will lose in margins. Home furnishings experienced the worst of both worlds last year—shrinking margins and slow growth. This year will prove even tougher. Sales of home furnishings gained only 2% in 1986, totaling \$26 billion.

According to *Chain Store Age* research, home furnishings margins at department stores fell in 1986 to 37% from 41% the year before. Only the discount stores, thanks to ready-to-assemble furniture, managed to up their gross profits last year, increasing margins from 29% in 1985 to 30% last year. Industry-wide sales volume, however, was up only 2% in 1986, a figure that will be hard to surpass this year.

Slow growth and slimmer margins plagued the \$32 billion housewares industry last year, and no change is on the horizon. Sales gains for both electric and non-electric housewares inched ahead by only 2% in 1986.

Electric housewares experienced so much margin pressure last year that the department has turned into a traffic builder rather than a profit center. Gross margins for electrics at discount stores dipped from 24% in 1985 to as low as 16% last year. No recovery looks on the way.

Home textiles turned in a 9.7% sales gain in 1986 and will likely match last year's \$21 billion sales performance this year. White sales have become a year-round moveable feast, and slimmer margins continue to eat up any potential profit gains.

Chain Store Age research indicates that home textile gross profits at department stores in 1986 slipped to 40% from 41% the previous year.

Among the top departments, sewing/crafts was hit hardest in 1986. Sales fell to \$7.1 billion while margins fell almost 2%. □

Top merchandise departments

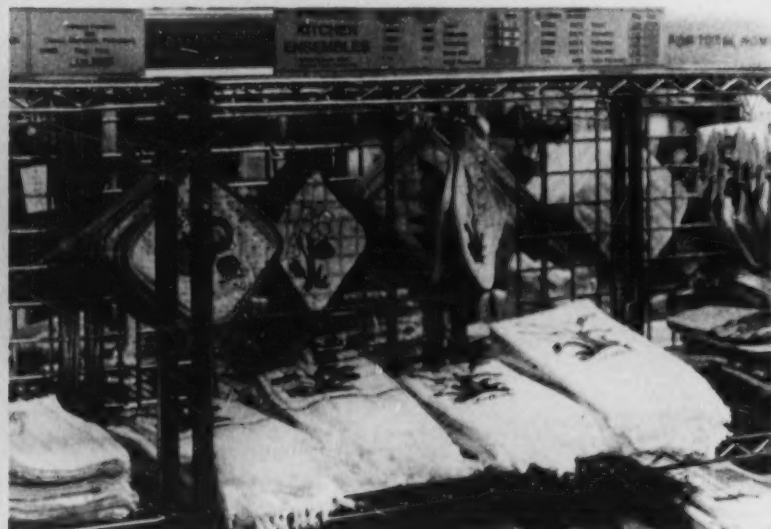
Department	1986	1985	% change
1. Consumer electronics	\$ 38,000,000,000	\$ 35,000,000,000	+ 8.6
2. Home furnishings	26,000,000,000	25,500,000,000	+ 1.9
3. Home office/stationery	20,000,000,000	27,000,000,000	- 8.2
4. Non-electric housewares	22,500,000,000	18,000,000,000	+ 2.1
5. Home textiles	21,400,000,000	19,500,000,000	+ 9.7
6. Cosmetics/H&BA	21,100,000,000	20,000,000,000	+ 1.4
7. Sporting goods	17,300,000,000	16,100,000,000	+ 7.5
8. Photo/camera	12,700,000,000	11,400,000,000	+11.4
9. Toys	12,500,000,000	11,675,000,000	+ 8.3
10. Electric housewares	9,700,000,000	8,500,000,000	+ 2.1
11. Sewing/crafts	7,150,000,000	7,800,000,000	- 9.0
Totals	\$214,300,000,000	\$203,675,000,000	+ 5.2

Total industry sales, including specialty stores, drug stores and supermarkets.

Source: *Chain Store Age* research

Housing starts led to textile boom

Softer window treatments, themed kitchen textiles and quality bedding needs propelled the volume.



Coordinated kitchen items helped the category grow last year.

It was a robust year for the home textiles department. Housing starts rose, and people needed a bevy of new decorative items. Retailers put new flourishes on textile departments, and suppliers found ways to entice incremental sales.

Sales rose 10% with window treatments, kitchen textiles and bedding needs propelling the volume. Sheet and towel sales grew more modestly due to retail price battles. In 1986, the business continued to shift toward Sears, J. C. Penney and Montgomery Ward and also to the upscale discounters.

These operations, say suppliers, have turned over more space to the category, upgraded the offerings and intensified advertising.

It was a year when hard and soft window treatments learned to coexist with one another as many consumers opted for looks combining both. Of course, notes a buyer at Ames, that means more decisions for the retailer...now they need to carry both but, space is limited.

Several singled out vendor programs designed to bring the ready-made business on par with custom-decorator styles. Kenney Window Fashions and Clopay are two firms

mentioned as helping build this business in mass outlets.

Although sales of alternative window treatments such as verticals and mini-blinds did perk up, the fastest growing areas of the curtain and drape business were the soft looks and high-quality ready-made drapes with lining and special trims.

"Consumers are swinging back to romantic looks," offers Jim Park, executive vp of Arley Merchandise Corp. "Victorian lace and anything country is the big trend and we see no top to this peak."

Price points appear to be sneaking up in curtains and drapes at Sears, J. C. Penney and many discounters. Says one dmm, "The limit was maybe \$20 for an item last year...it is now \$30. And when it comes to full-window treatments, \$100 is almost today's minimum."

Quality is also setting the pace in bed decor. According to K mart buyer Glen Shanks, K mart is moving pricier bed linens. A recent ad touted Stevens' Tastemaker, which carries a regular price of \$20.97 for a waterbed sheet set.

There is a boom in better bedding, Park says. On the other end of the spectrum, he sees good promo-

tional potential in the bed ensembles which wrap up coordinating dust ruffles, shams and comforters in one package retailing between \$59 and \$99.

Kitchen textiles, confirms Shanks, became a hot commodity last year, and suppliers helped push sales along by introducing coordinating kitchen items.

"This way," reasons Park, "a woman can buy a dish towel one time...and then come back for an appliance cover or placemat."

Chair pad ensembles have also been added although retailers say it has created a merchandising dilemma. That is, where do all these items get merchandised, especially when the different sku's fall under separate buyers?

Some solutions have been found. Signs in kitchen textile areas often tell customers they can buy matching curtains in that department. A few retailers advertise the coordinates together so shoppers are aware of the match. And Target resolved the situation by putting all the coordinates on an end-cap. □

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$116	\$129	\$130
Annual turnover	1.8	2.5	2.5
Gross margin	40%	38%	34%

Sources: Chain Store Age research

Growth areas

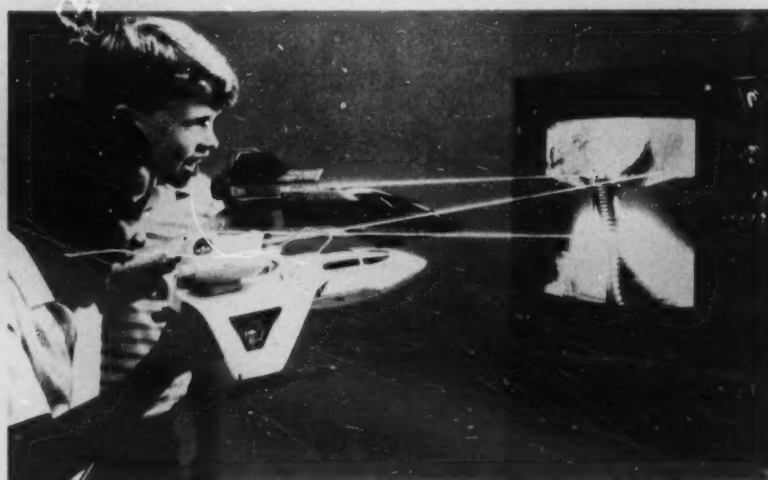
- Kitchen coordinates
- Romantic looks
- Quality ready-made drapes
- Country looks

Market share by units



No clear winner emerges in toys

The old faithfuls continued to produce. Interactive laser guns, educational toys and video games look good.



Captain Power and The Soldiers of the Future are expected to be "hot".

Not one single toy ran away with sales in 1986. However, retail sales still crept ahead by approximately 5% to \$12.5 billion, a stable gain for the toy market.

"With relatively few new leaders to offset the decline in popularity of some of the well-established, trendy toys of the past three years, more basic, staple items sold through to consumers," says William L. Garrity, board chairman of the Toy Manufacturers of America (TMA). Some categories that had a particularly good year include fashion dolls, construction sets, radio-controlled vehicles and preschool.

Garrity continues, "Both parents and children were fascinated with fashionable, high-tech toys—photo electronic toys as well as interactive dolls and stuffed animals." Teddy Ruxpin remained a high priority on shopping lists for the second consecutive year while the introduction of interactive, electronic guns such as Photon and Lazer Tag battled for consumer dollars.

However, many of the "hot," new toys reached the market late in the fourth quarter and vendors could not supply enough product. This impacted sales negatively, say retailers.

Additionally, action figures were disappointing with the exception of

G. I. Joe. TMA's Garrity says, "Some of the action figures supported by cartoon simply did not live up to expectations—and the marketplace spoke."

Industry sources concur that there are too many products with similar themes available and marketers relied too heavily on the cartoons to sell product instead of product appeal. Still, action figures represent the largest share of boy's toys, according to the merchants.

For 1987, Garrity expects industry sales to grow by 5% again. Also similar to last year, Garrity foresees buyers keeping inventories lean and jumping on price promotions while consumers continue to increase

their year-round toy shopping.

Categories to watch include: interactive dolls and plush, preschool, electronic learning aids and video games. This year's Toy Fair unveiled some very interesting and sophisticated talking dolls at steep, steep prices. Retailers have already expressed concern about marking up dolls that cost more than \$100 a piece.

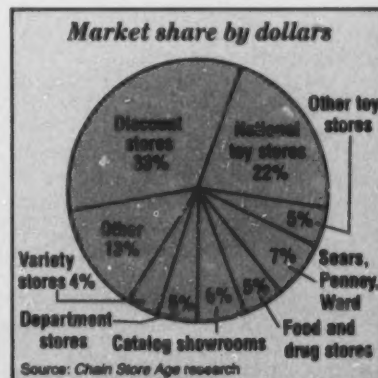
Interactive, electronic guns will also go through some changes. A few dozen vendors showed their entries into the category at Toy Fair and retailers anticipate a shakeout later this year.

Video games, too, will show some action in 1987. After a four to five year break, the category started moving upward again this year. Companies such as Nintendo, Atari and Sega feature challenging systems.

Additionally, Mattel's Captain Power and The Soldiers of the Future and Worlds of Wonder's Action Max raised some hopes for the category. Hand-held toy jets and accessories allow an at-home child to fire at enemies as they cross the screen during their weekly television program. Points are scored, as well as taken away, when the enemy is hit or fires back. Corresponding video cassettes are also sold.

Pre-school and electronic learning aids continue to be growing businesses as the baby boomers' echo by boom grows up. Families are generally smaller than previous generations because the baby boomers waited until they were older and more financially set. The new well-heeled parents now indulge their youngsters with toys that they perceive give their children an edge on learning.

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$146	\$89	\$208
Annual turnover	2.5	2.9	3.5
Gross margin	35%	32%	28%
Source: Chain Store Age research			
Growth areas			
- Interactive dolls and plush - Video games - Electronic learning aids			





There are encouraging signs that the industry will enjoy a healthier business climate this year.

Color expected to brighten sales

The country look, utilizing slate blue and mauve, seems sure to spark new interest in non-electrics.

The non-electric housewares industry is counting on slate blue and mauve to be the color of money this year.

Indeed, it is hoping that the new colors, along with the country styling movement, will help the industry perform considerably better in 1987 than it did last year when sales topped 1985 levels by a scant 2%.

Figures extrapolated from the National Housewares Manufacturers Association's recently released 1986 B. Angell Marketing Research

Study of the industry show that retail sales of non-electric housewares last year totaled about \$22.5 billion.

There are encouraging signs that the industry will enjoy a healthier business climate this year.

Recent rulings by the International Trade Commission and the U. S. Department of Commerce, for instance, are expected to favorably impact the beleaguered domestic cookware industry in its battle against imports of stainless steel and porcelain-on-enamel cookware

from the Far East.

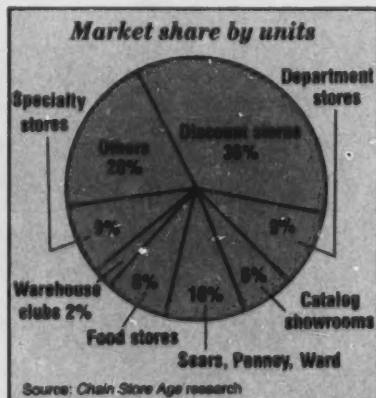
A turnaround may already be at hand. The Cookware Manufacturers Association reports that domestic producers held their own in sales during the first quarter against 1986's first three months. Manufacturers sales last year were off 4.8% from 1985 levels, a decided improvement over their 1985 performance when sales were down 12% from the previous year.

The continued growth of microwave accessories at retail is another bright spot for the basic housewares industry. The category has been enhanced this year with the addition of color, notably slate blue and pastels. Color, in this case hot hues, is making high-styled storage lines from Elfa, Berg, and ClosetMaid promising commodities at retail this year. Rubbermaid's Servin' Savers have been setting the sales pace for Jim Redberg, buyer at Pamida, Omaha.

But probably the most comprehensive styling trend outside of color is the country look which is encompassing many housewares categories.

Retailers as disparate in philosophy as Bradlees and Marshall Field are making big plans for the new country styling trend that has already taken root in other home furnishings industries. The country look is marked by duck and geese motifs, farm scenes, and floral designs. □

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$188	\$125	\$142
Annual turnover	2.0	2.3	3.3
Stock margin	55%	52%	54%
Source: Chain Store Age research			
Growth areas			
• Microwave cookware • Kitchen/closet storage items • Country style products • Tabletop			



Low prices hoped to raise flat sales

Following a lackluster year for electric housewares, retailers hope promotional items will boost sales.



Irons have turned promotional due to the cut in cost of micro circuitry.

Productivity breakdown

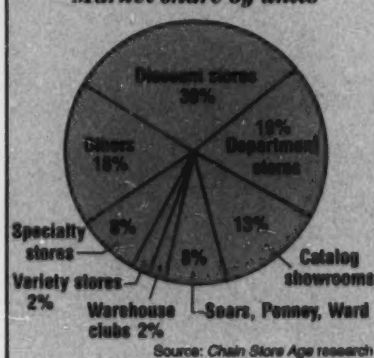
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$190	\$190	\$242
Annual turnover	2.0	3.4	3.5
Gross margin	22%	22%	18%

Source: Chain Store Age research

Growth areas

- Whirlpool baths
- Microwave ovens
- Compact food processors
- Vacuum cleaners

Market share by units



Lower prices on key categories this fall are expected to help stimulate retail electric housewares volume which has been on the flat side the past year.

An executive for a major Midwest discount chain, for instance, has found microwave ovens readily available to retail as low as \$69 and \$79. At the same time, prices on electronic irons, a key classification last year have dropped to the point where they can be retailed at under \$25 after rebate.

Retailers attribute the sharper prices on irons, coffeemakers, and other basic items that feature electronic circuitry to the fact that manufacturers have now largely amor-

tized the initial cost of incorporating the sophisticated systems into the products.

Heady competition has also pushed tags of Oskar and other brands of compact food processors down, retailers say. Many are anticipating a similar fate for two new categories that loom large on the fall retail promotion scene: mini-choppers and clothes shavers. Some see the \$15 shaver dropping well below \$10 by Christmas time.

Some merchants like Dudley Clark, dmm at Carson Pirie Scott, Chicago, think that new, innovative appliances unveiled at the spring housewares show will help generate excitement on the sales floor. Clark cited Sunbeam's ExpressMeal

toaster oven with microwave cooking capability as one with particular promise.

In many cases, retailers will be striving to improve the bottom line by emphasizing higher ticket merchandise. A case in point is the buyer for a major Southwestern department store who will be giving high priority next fall to "better food preparation" electrics, notably food processors. The store's strategy also involves stress on higher end Eurostyled lines such as Krups and Braun.

Despite lackluster sales so far this year in an industry that saw retail volume hit \$9.7 billion in 1986, retailers are generally optimistic about second half prospects. Still, many agree with a dmm for a West Coast department store that it will require a lot of work and aggressive promotion to translate hopes into reality.

Successful promotions on selected items in recent months have given many retailers reason to think chances are good that business will be strong during the traditionally big fall season.

Vacuum cleaners, for instance, have been a bright spot for both mass merchants and department stores. Heavily financed promotions this spring by both Eureka and Hoover admittedly were factors in the healthy vac picture, retailers said.

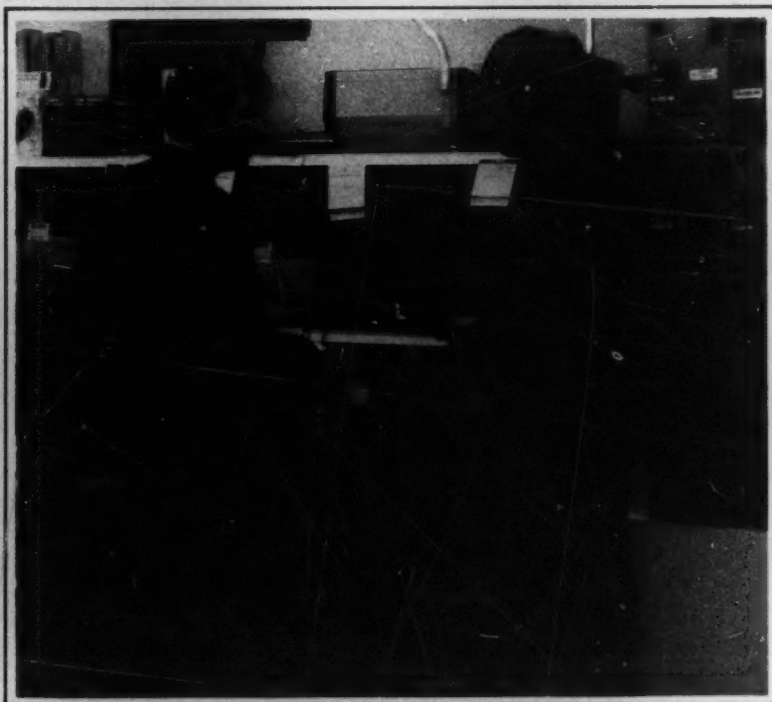
Microwave ovens at \$150 and below have been strong at a Midwestern membership warehouse club organization. The company has been less successful with more sophisticated items such as irons and other appliances with electronic circuitry. Sources at the warehouse club contend that the electronic concept in small appliances is more practical as a promotion peg for department stores.

Many buyers have found rebate promotions generating brisk activity in basic electrics such as irons, coffeemakers and toasters, as well as in some personal care products, notably health care items.

In the personal care area, a surprise hit for many stores has been Regina's Home Spa whirlpool bath. It has been moving briskly at many stores, who are expected to give it increased promotion along with a similar unit being unveiled by Pol-lenex and other health care items. □

Home office: meeting new needs

As the market burgeons, vendors are on a spree and retailers are jumping in feet first.



The desktop copier, is one of the products offered to the home office market.

The entrepreneurial spirit and home computers are combining to keep upwards of 9 million working Americans at home, adding new sales opportunities in the heretofore all-too-basic stationery and home office department.

As Americans launch electronics-based cottage industries—or merely cart home more work from the office—some general merchandise retailers are responding by bringing together goods from various parts of the store into a single home office department.

Lechmere, for example, has created a department offering merchandise ranging from dictating machines to facsimile phones.

Many merchants are more comfortable with just a bit of cross-merchandising between departments. Others still seem content to leave calculators in the watch department, far from other home office supplies.

Manufacturers, meanwhile, are answering the home office trend with new products that include hand-held and desktop copiers.

At the same time, manufacturers are continuing to seek ways of raising stationery from its traditionally mundane status.

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$114	\$128	\$148
Annual turnover	2.4	3.3	3.8
Gross margin	41.4%	36.9%	37.8%
Source: Chain Store Age research			
Growth areas			
• Personal copiers • Gift wrap • Record-keeping books • Desktop accessories			

With trendy colors and rounded contours, manufacturers are changing the looks of products ranging from staplers to calculators.

Sets of miniature desktop accessories are proving successful when presented as gift possibilities, an important departure from the category's utilitarian image.

Another category gaining flair is gift wrap. Manufacturers are enlarging their lines to include bolder colors, well-planned themes, fabric ribbons and accessories to adorn packages. As complexity increases, chances for higher profits are expanding, too.

Efforts to dress up stationery goods with licensing remain just a small part of the business. With a few hard-to-predict exceptions, licensing appears unlikely to grow much in the category.

Stationery is a fast-turn business that benefits only from a license that churns out high volume, buyers say. A good license also increases margins and traffic.

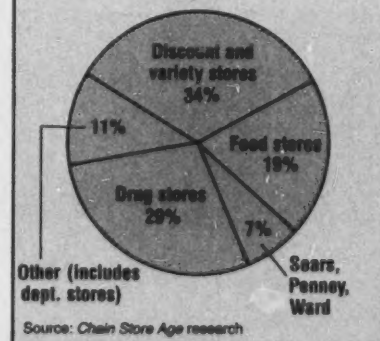
Another stationery category that is continuing to offer dressed-up possibilities is partyware.

In some cases, retailers are debating whether to merchandise partyware in stationery or in housewares. Low prices are sometimes limiting space for the goods.

While the industry labors to deliver some stationery lines from the realm of the basic, a few lines do not seem to need the boost. Record-keeping books is an example of the latter.

In a hectic age, with more women in the workforce—and, yes, the rise in home offices—record-keeping books are selling well with or without frills. □

Market share by units



Photography fracas far from finished

While Big Yellow slugged it out with Big Green, and Minolta with Canon, retailers fought off red ink.



Sears, along with Penney and Ward, managed to hold onto margins last year.

The photography giants are scrapping unlike any other time in the \$12.7 billion photo industry. But while the big boys are busy fighting, retailers at the sidelines are struggling more than ever to make a profit. Sales were up more than 11% last year, but margins slipped below last year's rock bottom levels.

Fuji fired a shot over Kodak's bow when it beat Big Yellow with a disposable camera debut right before the Photo Marketing Association trade show in February. In the year before, both companies had introduced new amateur and professional films. Konica and Agfa were soon to follow with their own new films.

Kodak celebrated the year with the introduction of the first cameras—both rangefinders—bearing its name in over a decade. It also scored a success when it joined the highly competitive battery market.

Canon and Minolta, meanwhile, continued battling it out to see who would end up king of 35mm SLR autofocus. After a year of speculation, Canon finally debuted its EOS autofocus answer to archrival Minolta's Maxxum this spring. When the dust settles, however, the market for SLRs will end up even smaller.

According to *The Wolfman Re-*

port, shipments to the United States of SLR cameras dropped 9% last year to 2 million units from 2.2 million. Compact lens shutter models, however, recorded an astounding 27% gain over 1985, topping out at 4.7 million units last year.

Thanks to the upswing in rangefinders, total shipments of 35mm cameras shot up 16% last year to 6.7 million units from 5.6 million in 1985, according to *The Wolfman Report*.

But the customer's move away from SLRs and to lens shutter cameras is not necessarily good news for retailers. With a smaller average ticket, camera retailers are having difficulty matching last year's dollar

figures, despite healthy increases in unit sales.

"The downside of rangefinders," lamented Montgomery Ward vp John Bevan recently, "is that once you sell a camera, there isn't much left to sell the customer along with it."

The camera makers have made a valiant effort to create add-on sales, such as extra lenses for lens shutter cameras. But the marketing ploy does not seem to be paying off.

The downturn in some accessory items, such as lenses, joined with cut-throat retail competition last year to shrink margins for nearly every category of retailing.

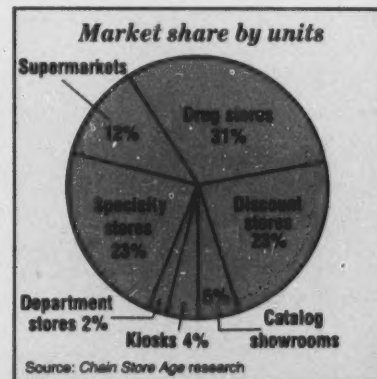
Chain Store Age research indicates that at department stores, which traditionally have done a good job at bundling together camera kits to grab higher margins, recorded a drop in gross profits from a paltry 20% in 1985 to about 18% last year.

For discount and variety stores, the news was worse. Gross margins fell to an all-time low of 15.6%. Only the Big 3—Sears, Penney and Ward—managed to hold onto the same 21% margins they recorded a year ago.

One bright note in the otherwise gloomy forecast comes from a category counted down and out only a year ago. Polaroid's debut of its Spectra line of instant cameras has been an unqualified success.

Spectra seems to have created its own upscale market for instant photography and at the same time to have rekindled interest at the low end. According to *Chain Store Age* MarkeTrends consumer polling, the number of families that expect to buy an instant is running double figures recorded a year ago. □

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$277	\$248	\$148
Annual turnover	2.0	3.8	4.0
Gross margin	11%	17%	18%
Source: Chain Store Age research			
Growth areas			
• Zoom lens rangefinders • Instant cameras and film • 35mm film			



Discounters see profits in H&BA

Once seen as a loss leader, health & beauty aids are now adding to mass merchants' bottom lines.



Tartar-control and plaque-fighting toothpastes stole center stage.

Once viewed as just a traffic lure, the health and beauty aids department is gaining new respect, especially in discount stores.

"The original entrepreneurs used health and beauty aids as loss leaders in advertising to get customers in the door," explains Richard Hersh, president of the International Mass Retail Association. "Now they carry their share of the weight and H&BA is one area where we'll be using our direct product program."

Retailers ranging from K mart to The Wholesale Club have discovered their shoppers are willing to buy such items as shampoos and conditioners, toothpaste and even prescriptions under their roofs.

K mart has removed cosmetics from the health and beauty aids department to both free up more space for these items as well as give cosmetics a new image in a location near apparel.

The Indianapolis-based The Wholesale Club reports health and beauty aids account for 2% to 3% of volume in a department consisting of only 75 sku's, according to president James Burke.

Robert Dixon, vp of The Allen Levis Organization, a leading research firm, says discount stores scored very high when it came to

health and beauty aids purchases in large families. Reasons Dixon, "These are customers frequenting a discount store for children's clothes and toys. They are short on time and buy all their needs in one trip."

According to recently published A. C. Nielsen figures, almost every discounter is in the business with 99.6% carrying some health and beauty aids. Discounters rang up almost 16% of all H&BA sales according to the study—approximately one dollar in six.

Nielsen also uncovered that the number of pharmacies in discount stores is swelling. The total jumped

9% from 1,940 in 1984 to 2,111 in 1985. That means 30% of all mass merchandisers are in the Rx business.

This has made it easier for them to take advantage of Rx to over-the-counter drugs now available including ibuprofens. "Having a pharmacy makes it easier to sell OTC products," confirms Jack Shewmaker, vice chairman and cfo of Wal-Mart Stores, Inc.

"We have 480 company-owned and 135 leased pharmacies and it is the most rapidly growing part of our business. But there are problems and you have to work them out and understand the business," Shewmaker adds.

The hottest health and beauty aids items last year included hair gels and spritzes, artificial nails with adhesive tabs, knock-off designer fragrances and wide-mouth, stick deodorants. In vitamins, fish oils gathered attention in 1986 and retailers are still weighing the long-term potential of this vitamin said to reduce the chance of heart ailments. Tartar-control and plaque-fighting toothpastes stole center stage and the nation one again was sent into a panic by the tampering of capsules. Sun care items, especially those with high S.P.F.'s, also gained favor with shoppers fearful of skin cancer. Brightly colored zinc products also caught on with younger consumers. For the rest of 1987, however, many of these hot picks fizzled. Nail tip sales are softening and knock-off fragrance sales have flattened, mostly because of a lack of a new hit to copy such as Giorgio, concludes Allan Mottus, a leading cosmetics industry expert. □

Productivity breakdown

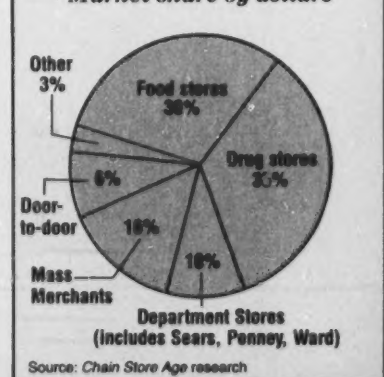
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$312	\$125	\$110
Annual turnover	2.5	3.2	3.5
Gross margin	48%	33%	24%

Source: Chain Store Age research

Growth areas

- Hair spritz and shines
- Pharmaceuticals and OTC drugs
- Sun care with SPF of 15 and higher
- Plaque-fighting toothpaste and mouth rinses

Market share by dollars



Sewing falls while crafts rise

Although many retailers have given up on sewing, some tenacious retailers have seen profits.

On a recent episode of the popular TV comedy *"Kate & Allie"*, Allie had \$250 to burn. After turning down a sculpture, an expensive beaded dress and a dinner at a chic restaurant, Allie decided on a souped-up Singer sewing machine.

With that kind of endorsement, can a home sewing boom be far behind?

Suppliers would like to think so. But even national TV exposure does not seem to spur the desire to sew or take up crafts as a hobby. Sewing sales started shrinking when women joined the work force and consequently had less time to pursue hobbies. "And when they do something in their leisure time," asserts Barry Sussman of Vogue Fabric in Chicago, "they spend time on tennis or even housecleaning."

According to retailers and suppliers, overall sewing sales declined about 8%; craft sales crept up 5%. One reason for the drop in sewing volume is the ongoing exit of most major retailers from the sewing category. J. C. Penney, according to a company spokeswoman, edited the category in the early 1980s; Caldor dumped it around 1984 and even N. Y.-based variety store chain M. H. Lamson—the type of store where one would expect to find sewing notions—has reduced its selection.

Many are giving up on the working woman and trying to curry the younger teen with the message they can sew faddish clothes for less money than they can buy them and faster than they go out of style. The American Home Sewing Association continues its education program in schools.

While most retailers shun the category, there remain a handful determined to fill the void in the market.

"Sewing is one of the core departments at Woolworth," asserts Hank Curran, buyer for the category. "If anything, we are expanding it and it has paid off very nicely for us."

Departments at F. W. Woolworth include everything from zippers to pre-cut fabric. The newest concept at Woolworth is to present a very

strong price/quality image.

Says Curran, "The idea behind sewing is to save money and we have to keep our prices in line so that the sum of the parts are worth the whole...if the parts cost too much, it is not worth making it."

Woolworth not only features leading items from companies such as Coats & Clark and Talon, but offers its own private label, too. Plus, Woolworth is informing women it is in the business via advertisements in publications such as *Woman's Day*.

The emphasis on price, however,

has deflated the category's margins at chains continuing to support sewing. But, the increase in sales offsets the decline, they argue.

Crafts—including yarn goods, needleworks, small wood kits and cross stitch sets—are more commonly found in chains such as Wal-Mart, Ames, Family Dollar and Caldor than sewing notions.

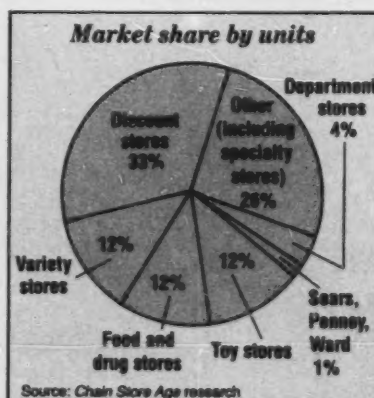
According to a source at Ames, these items still have a strong following. But to be in it, retailers warn that a barrage of items need to be carried. Yarn for example, must be high quality and stocked in a breadth of colors.

"There's a big surge now in country looks and natural decor," adds Curran who says his sewing and crafts business is "neck and neck," although sewing outpaced crafts in 1986. □



Sewing sales started shrinking when women entered the work force.

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$38.85	N/A	\$65
Annual turnover	1.0	N/A	2.2
Gross margin	45%	N/A	31.8%
Source: Chain Store Age research			
Growth areas			
• Sewing basics • Patterns targeted at young girls • Cross stitch category • Ribbon sets			



Today's sportster is more sedate

Baby boomers are slowing down, as is their lust for exhaustive workouts. Camping and fishing emerge.

Aging baby boomers are nixing sweaty workouts and formerly trendy raquetball matches in favor of such traditional pastimes as camping, fishing, golf and team sports. The switch could slow retail sales growth in sporting goods slightly, to 4% or less this year, for a projected total of up to \$17.8 billion.

As boomers have more children of their own, camping is becoming an attractive low-cost vacation option. In fact, camping is now the strongest growth category in athletic and sports equipment sales, with an increase of 15.5% last year, according to a survey conducted for the National Sporting Goods Association (NSGA).

Even the fittest of generations appears ready to slack off a bit with the years. Fishing, one of the most sedentary of sports, scored second

highest in growth, leaping 13.5%, the survey indicates.

As the Yuppy segment of the baby boom generation approaches the age of peak interest in golf—45 to 50 years old—the category should continue to post healthy gains. Already, golf is third in growth, up by 11% last year.

The bonanza in camping, fishing and golf is producing mixed results for retail chains. Department stores and discounters are positioned well to gain from the increasing numbers of cost-conscious campers. Specialty chains, however, are proving better-suited to the needs of golfers, especially at the sophisticated upper-end and in open stock.

Every channel of retail distribution stands to gain from this year's expected reawakening of interest in team sports. American adults are

rediscovering "social" athletics and should prove willing to pay for such top of the line goods as \$100 ball gloves and \$60 aluminum bats. "They want what the pros have," says one buyer, who notes that softball is one sport in which discounters can compete with specialty stores in assortment.

Sales of exercise equipment will remain anemic compared with the three-year boom that began subsidizing last year. In 1986, sales remained flat from the previous year at \$1.2 billion.

However, NSGA president James Faltinek says in an association report that last year's exercise equipment sales were propped up by expanded sales for exercise bicycles, which increased 9% to \$424.3 million.

Except for treadmills, sales of all other larger home exercise equipment declined, an indication of market saturation and a reflection of America's aging population.

The look in exercise equipment is leaning toward Eurostyle and pastels. Easy storage is valued.

Heavy exercise equipment is durable, of course, but footwear wears out and is bound to remain an important seller. Buyers continue to expect trade-ups in shoes because of an increasingly high-tech marketplace.

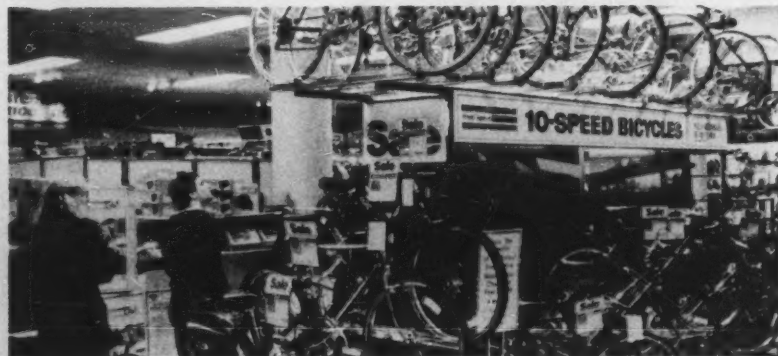
Growth in footwear sales last year was 7%, says the NSGA, with the newer specialized shoes making dramatic increases. Aerobic shoe sales were up 88%, with strong showings for walking shoes, workout shoes and hiking boots. Sneakers registered an 11% decline.

Athletic and sport footwear scored sales of \$3.2 billion—surpassing the \$3 billion-mark for the first time—and industry observers give a single company credit for much of the success.

Reebok, according to Howard Bruns, president of the Sporting Goods Manufacturers Association (SGMA), turned in "the greatest performance of any company in the 112-year history of our industry."

Overall, the NSGA predicts this year's sales growth of 4% will lag a bit behind last year's 5%. The SGMA expects growth this year of 2% to 4%. Total sales, says the NSGA, will reach \$17.3 billion this year, compared to \$16.6 billion last year and \$15.9 billion for 1985. □

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per sq. foot	277	268	432
Annual turnover	2.2	3.2	2.7
Gross margin	32.1%	31.3%	33.2%
Source: Chain Store Age research			
Growth areas			
• Camping • Fishing • Golf • Walking shoes			



For the first time, 10- 12- and 15-speed bicycles topped \$1 billion.

Ready-to-assemble upgrades

Fashion colors and finishes are now available in RTA furniture as consumers' tastes and needs change.

The arrival of what is new and the longing for what is old are both important forces in today's furniture departments.

Driven by the new, shoppers are continuing to choose high-margin stands for such relatively new products as VCRs, which are now in half the nation's homes, according to *Chain Store Age* research.

The spread of stereo television gives customers a reason to bring together all of their electronic home entertainment equipment into a single piece of furniture, thus boosting furniture sales.

Utility carts and storage furniture also remain important in the RTA business.

The new also takes the form of changes in the furniture itself. These include a continuing shift toward resin in higher-end outdoor furniture.

A second generation is arriving in ready-to-assemble furniture with new combinations of materials, new veneers and colors. More RTA pieces boast rounded edges and heavier construction, trends felt in rising price points that could soon approach \$300 for some pieces, even in the mass market.

Many retailers are now adding the color white to their RTA assortments and manufacturers are beginning to show sophisticated grays.

Manufacturers are sustaining the quest for the next big thing in pattern or color. With the latter, blues, sands, aquas and salmon remain leaders, say industry observers. Fabrics featuring Banana Republic looks are popping up in some lines.

Consumers, while buying furniture for their new electronic marvels and keeping abreast of fashion, are also showing a penchant for nos-

talgia.

The new—or at least the current—trend toward apartment or condo living, rather than in larger single family houses, is resulting in space considerations that are giving rise to a product that harkens backward.

Daybeds, many of them wrapped in archaic-looking brass or white-painted iron and trimmed in lace, are relying upon nostalgia to carve a niche. Yet many new daybeds are purchased by space-conscious customers for little girls' rooms.

Retailers have nearly unlimited options in combining frames, bedding, coverlets, cushions and pillows. Accessories, buyers say, provide important step-up potential.

Many discounters are also getting

into the bedroom furniture business for the first time with new RTA offerings. Retailers believe consumers are ready for RTA bedroom pieces if the merchandise looks enough like case goods.

However, even with good growth prospects due to the introduction of RTA night stands, dressers, wardrobes, headboards and mirrors, bedroom RTA will still trail consumer electronics RTA for some time.

Time will tell if merchants are prepared to accept RTA manufacturers' suggestions for RTA departments, even with the movement into the bedroom.

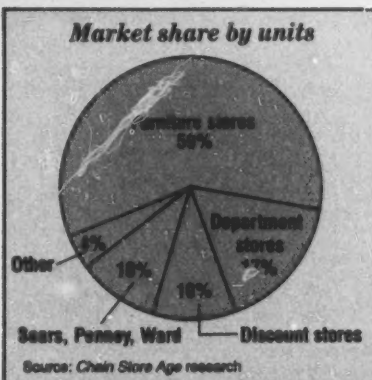
RTA sales have nearly doubled in the past five years, one industry observer says, but the category still claims just 4% to 6% of the furniture market.

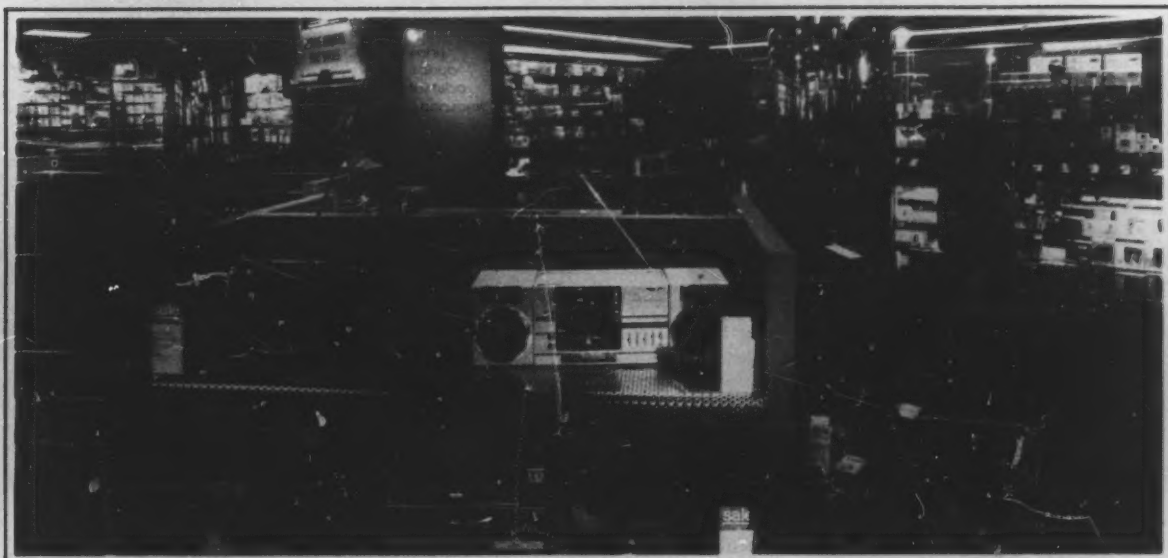
In case goods, the giant of the furniture department, the trend is away from the austere, modern brass and glass, in favor of warmer, more classic looks. □



Department store sales of home furnishings gained 3.1% last year.

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$124	\$110	\$88
Annual turnover	1.9	2.0	3.0
Gross margin	34.7%	35%	23.7%
Source: Chain Store Age research			
Growth areas			
• Entertainment centers • Utility carts • Bedroom RTA furniture			





Department stores surrendered share to specialists, but the category killer format is proving no magic formula for profits.

Electronics sales soar, but margins dip

Sales hit an all-time high of \$38 billion in 1986, but even the superstores had trouble holding onto profits.

Though retail sales for home electronics hit an all-time high of \$38 billion in 1986 and are expected to hit \$40 billion this year, margins shrank as the year progressed and are shrinking even further.

Only a few years ago, it seemed that whoever hung out a shingle and called himself a electronics superstore could make a profit. If it ever was true, 1986 proved that the category killer format in electronics was not some magic formula for profits.

The Federated Group, headquartered in the City of Commerce,

Calif., lost nearly \$7 million in the final quarter of 1986 and ended the year almost \$6 million in the red.

Both Michigan-based superstores, Fretters and Highland, experienced margin slippage as the year progressed, and Highland held off from earlier expansion plans so that it could pause, catch its breath and avoid The Federated Group's experience with too rapid expansion.

However, proving that the superstore format is far from dead, Richmond, Va.-based Circuit City recorded its first-ever \$1 billion year,

making it the largest retailer of branded consumer electronics goods.

Not that the market for private label has disappeared. Tandy's Radio Shack division turned in a banner year, aided by the overwhelming popularity of its personal computers in the fourth quarter.

Even Montgomery Ward, while touting its change to an electronics superstore format and a commitment to branded goods, still is keeping private label in many categories, especially televisions and major appliances. Ward opened its first stand-alone electronics superstore in Oceanside, Calif., in March and plans more superstore expansion in Chicago later this year.

Sears is still sticking, some say stubbornly, with private label. With much hoopla last year, Sears added the RCA nameplate to its video mix, but apparently to mixed success. Despite promises of being street-price competitive on branded goods, it still has enormous operating cost disadvantages compared to its competition. Though Sears does not break out figures for specific merchandise departments, it is generally suspected that the catalog chain lost market share last year.

This year should prove just as tough. VCR sales have finally leveled off, and another hit product has yet to peek over the horizon. The best bets for growth this year: stereo TV, LCD-TV, compact disc players and VHS camcorders.

Productivity breakdown

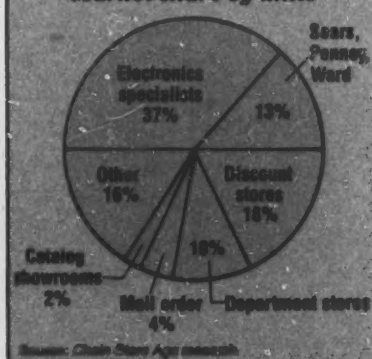
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$225	\$445	\$247
Annual turnover	2.7	2.7	3.0
Gross margin	19.6%	22.6%	15.6%

Source: Chain Store Age research

Growth areas

- Stereo televisions
- Compact disc players
- Camcorders
- LCD televisions

Market share by units



Textiles and photo record gains

Customers in the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll are giving every indication that they have not quite finished the spending spree they started over two years ago.

Despite many indicators—including a combination of dropping consumer confidence, a slower pace for

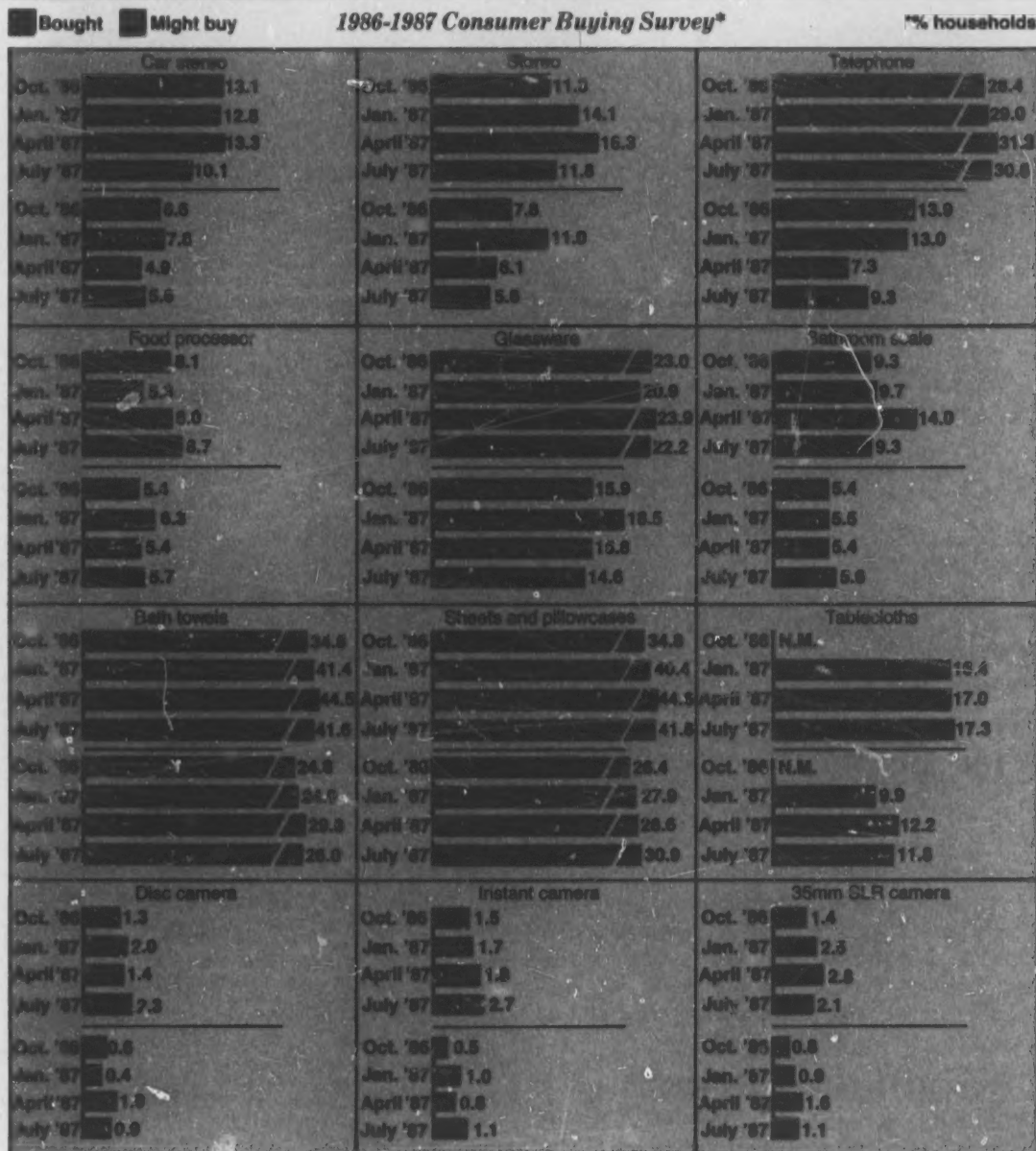
new housing starts, low savings rates and high debt levels—that otherwise would foreshadow soft sales for the remainder of the year, the MarkeTrends poll indicates that there are at least a few more items on the customer's shopping list before she closes her purse.

In the current nationwide telephone survey of 450 U. S. house-

holds, the MarkeTrends families are reporting increased buying intentions for 8 of 11 products tracked in both the current poll and the one conducted exactly a year ago.

Posting the biggest gains this month are sheets and pillowcases, bath towels, single lens reflex cameras and food processors. Also showing increases are tablecloths, bathroom scales, instant cameras and glassware.

Customer buying plans for disc



N.M. = Not measured

Source: Chain Store Age/Leo J. Shapiro & Associates

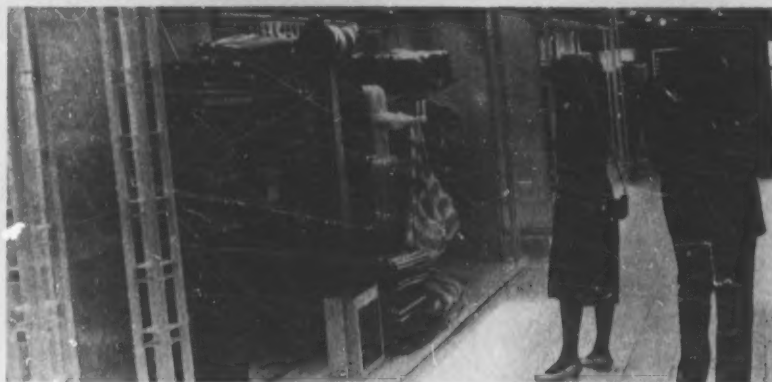
cameras, according to the MarkeTrends poll, are holding even with figures reported in the survey a year ago.

Both of the home electronics categories in this month's survey—telephones and stereos—recorded decreases in buying plans.

But it is the upticks in the current survey that are unexpected. Early in the year, the MarkeTrends families gave every indication that they were ready to rein in their spending for the rest of the year. Last month, however, the survey families hinted that they were not quite done buying. This month's results seem to confirm the trend.

One possible explanation for the customer's upbeat buying plans in the face of otherwise lackluster economic news is the gain recorded in employment figures over the last several months. While measures of unemployment have dipped only slightly, the number of employed workers has shown more dramatic gains.

Adding to the list of good economic news has been an increase in real



Posting the largest gains this month are the home textiles categories.

income for the average family. After holding steady for several months, income figures began moving up again in late spring.

The combination of more participants in the workforce and higher wages could be enough to keep the spending spree going at least until the end of the year.

Sales gains, however, will not be equal across all merchandise categories. The pattern recorded in the

most recent MarkeTrends survey is similar to the one seen all this year and will likely be reflected in sales.

Among the hard lines departments, the best increases will be for home textiles. Housewares are showing some gains in customer buying plans, but below the pace set by domestics. Photo/camera may show slight gains, as should home electronics, according to the MarkeTrends poll. □

Penguin Products introduces its L'Ectronique electronic jewelry line. New fashion territories can be explored with the innovative marriage of accessories and electronics.



Available are The Necktunes radio necklace, The Lite-Falls earrings and The Reminder digital memo bracelet. (Penguin Products Inc., 5 Old Windsor Rd., Bloomfield, Conn. 06002.)

Caboodles of California introduces its new cosmetic organizing

kits. Caboodles come in seven sizes, ranging from a small two-sided 14-compartment box, to the largest



model measuring about 16 inches long. There are five other sizes with other configurations. Suggested retail price: \$3 to \$25. (Caboodles of California, Plano Molding Co., P.O. Box 189, Plano, Ill. 60545-0189.)

Facsimile Fragrances introduces its version of Christian Dior's Poison that offers the potency of the original, without the lethal dose of high price. The new, aromatically accurate alternative to Poison contains a higher percentage of natural fragrance oils than the original, yet retails for only \$9.95, 85% less than the Dior brand, (Facsimile Fragrances Ltd., 6835 Valjean Ave., Van Nuys, Calif. 91406.)

IMPORTANT NOTICE TO RETAILERS

Scott periodically makes available Performance Allowances on special short-term promotions of specific Scott products.

Payments are made for advertising in newspapers, handbills, radio or television; special price features; displays; extra trading stamps; store coupons; and other consumer directed promotions.

Merchandising materials consisting of display material, newspaper mats, repros, etc. are also made available. Such services and materials are designed so that one or more of them may be used by all retailers.

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SCOTT PAPER COMPANY
DEPARTMENT C—PROMOTION
SCOTT PLAZA 1
PHILADELPHIA, PA 19113

SCOTT

SHOPPERS WANT A FULLY-LOADED TELEVISION

Customers want it all, and they want it for less. Their next TV? A 19-inch color portable, cable ready, remote control and now they want to watch it in their bedroom.

What does the customer want in a television? Color, of course. It should be a portable. Do not forget remote control. Make it a 19-inch screen. While you are at it, add MTS stereo. And by the way, do not forget to lower the price \$13 from what you charged last year.

According to the latest *Chain Store Age*/Leo J. Shapiro & Associates monthly MarkeTrends poll, customers are looking for more features on televisions than ever. And just as they have for the last 40 years, customers expect to pay less for their next TV than they paid for their last television.

A year ago, the 450 randomly selected families in the nationwide telephone survey said that they expected to pay a median \$500 for a new television. This year the MarkeTrends families report that they expect to pay a little less, or \$487.

Customers may expect to pay less, but that does not mean they expect to get any less for their money. In fact, they want more. According to the latest poll, about two-thirds of the MarkeTrends families now say that they want remote control. Just a year ago, only a little more than half of the survey households (56%) reported that remote control would be a must on their next TV.

Built-in MTS stereo decoders have come on strong in the last year, too. In the most recent survey, the number of households saying they want a stereo television the next time out is just about equal to the number reporting that they will stick with mono-TV. Compared to

last year's results, about 8% more households are looking for stereo television.

Reruns: In just about every other way, however, customers this year are looking for a TV that looks pretty much like the one they bought last year. Color sets are the choice for about 28 out of every 29 MarkeTrends families, just about the same ratio as 1986.

Portable sets are still preferred by the largest number of customers.

Just as in the poll conducted a year ago, about 64 out of every 100 MarkeTrends families report that their next TV will be portable. About 28 out of 100 say that they will buy a console, while the remaining eight families look forward to buying a projection television.

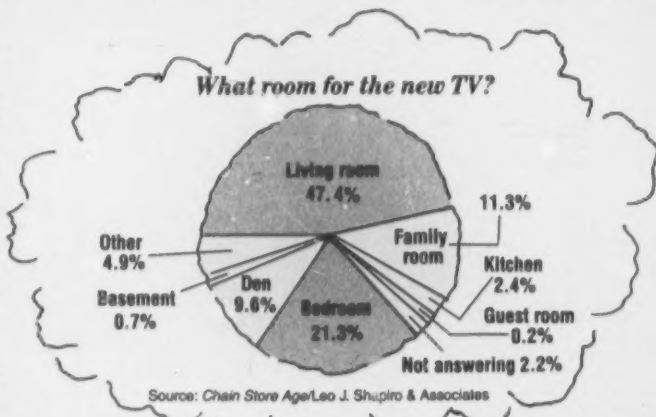
Nineteen-inch screens are still the most popular size, but the reliable 19-incher's allure has diminished somewhat in the last year. Though the choice of almost one-third of the current MarkeTrends families, 19-inch televisions were the pick for about 40% in the year ago poll.

In contrast, virtually every other screen size is gaining in popularity. For example, almost 25% more families report that they want a small screen TV (less than 18 inches) this year. About 2% more want a large screen television (more than 24 inches).

On the average, families in the MarkeTrends poll say that they expect to pay \$350 for a 19-inch TV. A television with a screen size between 20 and 24 inches should cost \$475. TVs larger than 25 inches should go for \$800. For televisions smaller than 19 inches, the survey households think that they will have to pay \$300.

The increased interest in smaller screen TVs is probably due to a change in why the customer is in the market and where he expects to view his new television.

Though the average buyer still is looking to replace a television he already owns, proportionately more of the TVs sold this year will be sets



bought in addition to, rather than to replace, old reliable. Last year 63% of the MarkeTrends families said that they were replacing an old set. This year, the figure is down to 54%.

According to the MarkeTrends survey, a new television that is replacing an older model should cost an average \$500. A TV for a new spot in the house should cost about \$100 less.

Changing, too, is where the customer expects to watch the TV he buys this year. Just as in the poll a year ago, the family living room remains the preferred place to watch the new TV. About 47% of the MarkeTrends families say they will put their new TV in the living room. Another 21% say it will be the family room or the den.

But the bedroom is growing in popularity when it comes to TV watching. In last year's survey, 18% of the MarkeTrends families reported that the bedroom was the destination for the new television. In this year's poll, the number has jumped to 21%.

Other rooms mentioned by the survey families are the kitchen (2%), basement (1%) and guest room (less than 1%).

The TV destined for somewhere other than the living room or the family room will have fewer fea-



About 28 out of 100 in the poll say that they will buy a console television.

tures. Because there will be fewer features, the MarkeTrends families do not expect to pay as much for it. For example, the average customer expects to pay \$300 for a bedroom television, compared to \$500 for the living room TV and \$600 for a family

room or den television.

All those remotes: Whether in the bedroom or in the living room, remote control is emerging as the most popular of all video features, according to the MarkeTrends families. Just about everything associated with a TV now comes with its own remote, and from what the survey families are saying, they want it all.

In addition to the 2 out of every 3 families that say they want a remote control for the new TV, add the 53% who report that they expect to use their television with a video cassette recorder, which is likely to have its own remote. About 37% of VCR owners report that their recorder has a wireless remote control.

Add, too, the 56% of the MarkeTrends families that say they subscribe to a cable television service, which is also likely to have a remote control of its own. Of the cable subscribers in the survey, 43% say that their cable converter box has a remote control device.

The result for many families has been three—or even more—remote control devices cluttering the coffee table in the living room. If the MarkeTrends families follow through on their buying intentions, then the market for unified remote control devices looks brighter than ever. □

VCRs hit halfway mark

Still do not own a VCR? You are in the minority now. According to the most recent MarkeTrends poll, 50.4% of the families in the nationwide telephone survey report that they own at least one video cassette recorder. It is the first time in nearly five years of MarkeTrends polling that VCR owners outnumber those who do not own a video recorder.

And the sales boom is not over yet. Though nearly 3 out of 4 of the families in the MarkeTrends survey rule out any chance of buying a video cassette recorder anytime within the next year, a healthy 24.7% of those in the latest poll report that there is at least a chance they will purchase a video recorder sometime within the next 12 months.

In the survey, 4% of the households say that they definitely ex-

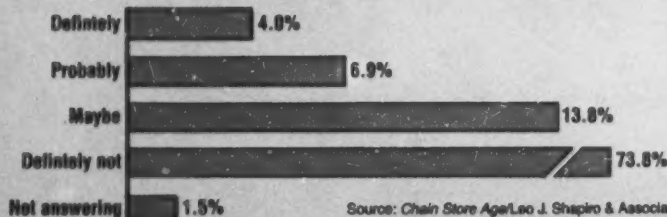
pect to buy a VCR this year. Another 6.9% rate their chances of buying as probable, while 13.8% report that they may buy.

Slowdown: Though still strong, customer buying plans are below what they were just a year ago. In the July 1986 MarkeTrends poll, 5.1% reported that they definitely would buy a VCR. Another 7.9% said they

probably would buy, and 13.9% reported that they may buy. In the year ago survey, 71.4% said there was no chance of buying.

Combined, customer buying plans in 1987 are running 8% below those recorded in the July 1986 survey. Actual sales to dealers, according to the Electronics Industries Association, are up slightly over last year.

Customers rank their chances of buying a VCR



Source: Chain Store Age/Leo J. Shapiro & Associates

DISCOUNTERS CLEAN UP IN KITCHEN TEXTILES

Discounters presently hold the lion's share of the market in these kitchen helpers, but signs indicate their hold is slipping. Terry cloth remains the No. 1 choice in fabrics.

Discount chains are where the action is in kitchen textiles these days.

Though there are signs that discounters may not have as much clout next year in selling such items as dish towels, potholders, and aprons in coming months, they still seem certain to continue their dominance in coming months.

Where discount chains garnered 48% share of consumer sales the past year, for instance, a *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends study still shows that 41% of the households polled will probably buy their next dish towel in these outlets in the next 12 months.

Appearing to gain share this year, on the other hand, are the national merchandisers—Sears, Ward, and Penney—and department stores. Some 17% of the respondents in the study say they expect to buy dish towels at the former; 12% at the latter. During the past year, 10% of the consumers polled bought towels at the Big 3; 11% in department stores.

K mart accounted for 14% of the discount store volume, while Sears and Penney split the Big 3 take with 4% and 5% respectively.

In the exclusive study, 42% of the households surveyed said their potholders/oven mitts purchases would likely be made in discount stores; 14% in national merchandisers; and 12% department stores. Again, K mart dominated its field with 17% share, while Sears took the lion's share of the potholder business in the Big 3 chains.

Consumers are less likely to buy aprons at the discount chains, how-



When it comes to styling, the majority of consumers want patterned textiles.

ever, with 34% shopping the products in those outlets as opposed to 15% opting for the national chains and 14% for department stores.

Of the discount shoppers, 14% say they most likely will make their next apron purchase at K mart. Sears was most favored of the Big 3 chains.

Interestingly enough, some 4% and 5% of the households would make their purchases of dish towels and potholders/mitts, respectively, in supermarkets, the study showed. No other retail channel was cited by more than 3% of the consumers as their source for kitchen textiles.

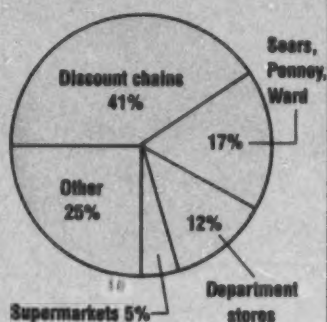
In their search for dish towels, most consumers (60%) indicate they will zero in on terry cloth numbers. Those preferring another type of cloth lean to towels made of 100% cotton. Sixty-two percent of the consumers polled would select this

alternative.

To most consumers (73%), performance of the product is more important than appearance in determining their dish towel selections. When it comes to styling, however, 45% of the canvassed consumers want patterned towels as opposed to 38% seeking solid color numbers. Half of the households prefer hemmed dish towels, while 28% want fringed towels.

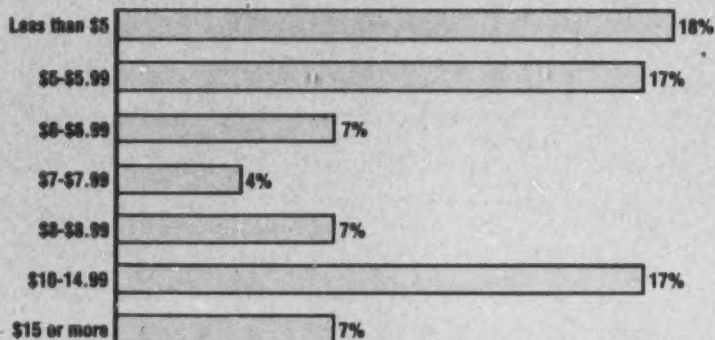
As for price, most households (24%) in the study say they expect to pay \$2 for a dish towel, while 22% place the figure at \$2.50 or more, and 15% at \$1-\$1.24. Although only 37% of the consumers polled say they bought dish towels in the past year—61% said no—many of the purchases were multiple in nature. Twelve percent of the households say they had bought five or six towels the past year, while 11% pur-

Where consumers will buy dish towels...



Source: Chain Store Age/Leo J. Shapiro & Associates

Price consumers expect to pay for aprons...



Source: Chain Store Age/Leo J. Shapiro & Associates

chased 10 or more. The percentages were much lower for other numerical levels in the study.

The consumer purchase level of potholders/oven mitts last year was even lower than in dish towels. The report shows that 77% of the respondents bought neither a potholder nor mitt within the past 12 months. Eight percent of the 19% who purchased the items, though, bought the holder and the mitt as a set. Some 90% of the purchases were for the consumer's own use.

If they were to buy another potholder, 60% of the consumers polled say they want one made of fabric other than terry cloth. Only 27% are satisfied with terry cloth. The study also shows that 74% of the consumers would want a potholder/mitt that is coated with a metallic substance to prevent scorching.

About half of the respondents do not care whether the potholders coordinate with their other kitchen textiles. Only 16% of the households deemed this feature to be very important.

The sales outlook for both potholders and mitts is reasonably good. The study showed that 19% percent of the households think chances are good that they will buy the former in the coming year, while 16% indicate that the possibility is strong for the latter.

And what do they expect to pay for the potholders and mitts? Twenty-one percent of the respondents say they will likely pay \$1-\$1.25 for a potholder; 20% between \$2-\$2.24.

Some 17% expect to pay \$2.50 or more for potholders.

Price expectations are higher in mitts. About one-third (34%) of the households checked see \$2.50 or more as the prevailing price for these items, while another 22% expect to pay \$2-\$2.24 for their mitts.

The MarkeTrends study shows that 69% of the households buy

it; 24% were somewhat interested in the feature; 44% were not interested at all.

In buying aprons, most consumers polled (18.4%) expect to pay under \$5 for an apron, although 17% expect to pay between \$5-\$5.99, and another 17% between \$10 and \$14.99. Retailers should expect no surge in demand for aprons, however. Only 11% of the



Surprisingly, consumers are less likely to shop for aprons at discount chains.

aprons as gifts, usually for a woman. Nearly half (47%) of the consumers polled want full-size aprons, as opposed to half size favored by 39%.

Similarly over half (59%) of the respondents want patterned aprons, while 26% want solid colors. The color preferences ranged across the spectrum, although blue led the popularity parade with 10% citing it as the wanted shade.

Twenty-two percent of the consumers checked were very interested in having an apron with words on

respondents feel that chances are good that they will buy an apron in the next 12 months.

When it comes to dish cloths made of fabric, 52% of the respondents said they use this type of cloth to wash their dishes.

What's more, the sales potential of the items is great. All of the consumers who ever use fabric dish cloths say that chances are good that they will probably or definitely buy another one within the coming 12 months. □

SALES A BREEZE WITH ELECTRIC FANS

"No sweat" in store for retailers of electric fans. Customers plan to cool off as all varieties register strong buying intentions with ceiling fans sweeping the field.



Oscillating fans are voted the second most popular choice of consumers (20%), lagging behind ceiling fans (45.6%).

Ceiling fans have come into their own.

Nearly half (45.6%) of the consumers canvassed in the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends study of their electric fan buying intentions indicate that they would most likely purchase a ceiling unit if they were to purchase another model. By the same token, 42.9% of the respondents say that ceiling units come to mind first when they consider buying a fan for the home.

Other types of fans trailed far behind in terms of both consumer awareness and buying intentions. Oscillating models, for instance, were foremost in the minds of 15.3% of the respondents, while box and window models were cited by 12% and 10.9%, respectively.

As for buying intentions, 20% say oscillating models would be the type

they would most likely buy, while 16.9% would give first consideration to box fans. In neither case, awareness nor intent, did other fan categories—pedestal, personal, fan heaters or attic fans—each command a positive reaction from more than 6% of the respondents.

In fact, fan-heaters, the new kids on the block, are only favored by about 1% of the respondents. Pedestal fans, which K mart senior buyer Dennis Dorn expects to create the major excitement this season, are cited by only 4.4% of the consumers checked. Another newcomer to the ranks, clip-on fans, received no mention by consumers in the study.

Despite lower prices that have dotted the retail scene this spring, most consumers think of ceiling fans in high-ticket terms. Indeed, heady competition has driven prices down as low as \$39 and \$29 in some stores.

The low tags are credited for reviving the classification at one Eastern department store. They are also prompting a West Coast department store merchandise manager to "reach for higher-end units" in order to maintain profitability in the category.

His move may just be the right tack to take with ceiling fans. For the MarkeTrends study shows that 39% of the consumers who give ceiling models top priority in fan buying expect to spend \$100 or more for the unit they would want. At the same time, 34% would expect to pay between \$50 and \$79.99. It appears that consumers treat ceiling fans more as decorative furnishing pieces than small appliances as they do with other types of fans.

Consumers, for instance, expect to pay considerably less for other more basic fans. Some 27% of the consumers seeking oscillating fans

expect to pay less than \$20 per model, while 13.5% and 14.6% would expect to pay, respectively, \$20 to \$24.99 and \$25 to \$29.99. Still another 27% expects to spend between \$30 and \$39.99 for an oscillator model. By the same token, 31.6% expect to pay under \$20 for a box fan, while 25% would expect to pay \$25 to \$29.99. Pedestal fan expectations were spread fairly evenly across all price points from under \$20 to \$59.99.

As for what price the consumer is willing to spend, the study shows that 50.2% of the respondents would spend over \$100 for a ceiling fan, while 15% would go \$60 to \$79.99; and 11.7%, \$50 to \$59.99. In oscillators, the largest percentage of consumers—27% and 19.1% respectively—would be willing to pay \$30 to \$39.99 and under \$20. Most popular box fans would sell at under \$25, the survey shows, with 51.3% of the respondents favoring these price points.

At the same time 34.2% are targeting their purchases to units retailing from \$25 to \$39.99. Again, there was no pattern in pedestal fans with all price points each attracting either 10% or 25% of the consumers polled.

Price aside, the sales potential for fans is fairly high. Some 15% of the respondents indicate that they will definitely or probably buy a fan within the next year, while 23.1% say maybe. On the other hand, 52.2% are definitely not planning fan purchases.

Of all fan classifications, ceiling units appear to have the strongest potential: 20% of the consumers polled say they definitely or probably will purchase one within the next 12 months, while the percentage was 16.9 for oscillators, and 10.5 for box fans. Pedestal fans garnered a definite vote from 5%. While 27.8% of the ceiling fan supporters said they might buy a unit within the year, the figure was 19.1% for consumers wanting oscillators, 30.3% for box fans and 15% for pedestal fans.

Where do consumers buy their fans? Discount stores are the preferred outlets, with 26.4% of the consumers covered by MarkeTrends citing them. Of these outlets, K mart garnered 12.9% percent of the business. The Big 3 national merchandisers—Sears, Montgomery Ward, and J. C. Penney—came in for mention by 14.9%

of the consumers, and hardware stores and home centers, 11.3%.

Some 7.6% and 5.6% of the consumers said they would most likely buy a fan in specialty stores and full line department stores, respectively. Only 2.2% plan to buy fans in appliance stores; 1.8% in drug stores; and 1.1% in catalog showrooms. Less than 15 of the respondents plan to buy fans in variety stores and supermarkets.

According to the study, most fans are purchased for the bedroom

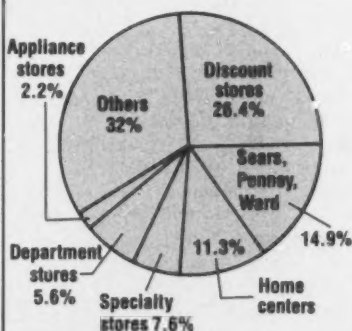
under 1% for the attic.

The study shows that oscillators and box fans are purchased largely for the bedroom, while half of the pedestal fans bought are for use in the living room. According to MarkeTrends, 41.6% of the consumers plan to buy oscillating fans for the bedroom, 37.1% for the living room, while 50% of the box fans are purchased for the bedroom and 40.8% for the living room. Half of the pedestal fans are acquired for living room use.



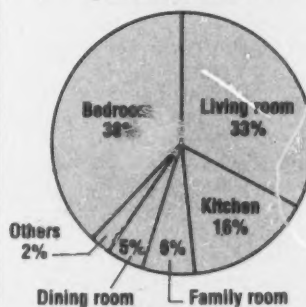
Of those polled, 39% expect to pay \$100 or more for their next ceiling fan.

Where consumers buy fans...



Source: Chain Store Age/Leo J. Shapiro & Associates

What rooms fans are purchased for...



Source: Chain Store Age/Leo J. Shapiro & Associates

(38%) and living room (33%), while 16% of the new fans are bought for the kitchen. Of the ceiling fan purchases, 29.3% are for the bedroom, 31.7% for the living room, and 18% for the kitchen.

After that, the percentage of consumers buying fans for other rooms in the house dropped sharply. Some 6.4% planned to buy units for the family room; 4.9% for the dining room; 3.8% for the den; 1.6% for the hallway; 1.1% for the bathroom; and

There are factors other than price that consumers consider in making their fan buying decisions. Safety features are deemed extremely important to 60.7% of the potential fan purchasers, while manufacturer's warranty is a major factor for 46.2%. After price, which is most important to 45.3% of the respondents, comes styling considered important by 35.8%; brand, 20.7%; and store where purchased, 16.7%. □

Tax rates drop, earnings rise

Profit gains for the nation's biggest retailers outpaced moderate sales increases in the fiscal year's first three months. For the 24 retail companies tracked by *Chain Store Age*, earnings for the first quarter were 20.1% ahead of last year's pace.

While many merchants credited tighter expense control, leaner inventories, slightly stronger than expected volume and fewer mark-downs for the earnings gains, the major contributor to the brighter profit picture was a reduction in effective federal tax rates.

In last year's third and fourth quarters, tax reform had eaten into profits as retail companies lost some depreciation allowances. This year, however, lower tax rates kicked into the equation and dramatically pumped up earnings.

J. C. Penney, for example, posted a 5.9% sales gain in the first quarter. Nonetheless, the catalog chain's tax bite fell 52% from \$68 million in 1986 to \$33 million this year.

Penney's first quarter pretax profits hit an all-time high of \$218 million before a \$140 million provision for costs associated with its planned relocation of its headquarters out of New York City to Plano, Texas. Aftertax earnings for the catalog chain fell 14.3%.

Profits dropped at fellow cataloger Sears in the first quarter, too. Earnings for the U. S. Merchandising Group were off 25.6% to \$31.3 million after an extraordinary \$20 million aftertax charge related to restructuring of distribution operations. Without the charge, Sears would have posted a 21.8% earnings gain in the quarter.

At Montgomery Ward, which dropped its catalog operations two years ago and now prefers to be called a specialty retailer, profits for the first three months leaped ahead 300% from \$2 million a year ago to \$8 million in 1987. The profit gain comes on the heels of the former catalog chain's highest profit year ever.

Also taking comfort in the profitability of its repositioning was F. W. Woolworth. The company, which is best known for its variety stores, has in recent years successfully turned its attentions to special-

First quarter profits higher than expected			
Chain	1986	1987	% change
J. C. Penney	63,000	54,000	- 14.3
Sears	42,100	31,300	- 25.6
Montgomery Ward	2,000	8,000	+ 300.0
Subtotal	105,102	93,300	- 11.1
Dollar General	(1,734)	(1,531)	N.M.
Jamesway	866	1,273	+ 47.0
K mart	91,600	115,500	+ 26.1
Rose's	6,515	7,689	+ 18.0
Wal-Mart	73,391	110,390	+ 50.4
F. W. Woolworth	20,000	29,000	+ 45.0
Zayre	16,696	20,998	+ 25.8
Subtotal	207,334	283,319	+ 36.6
Carson Pirie Scott	(3,116)	621	N.M.
Carter Hawley Hale	400	17,900	N.M.
Dayton Hudson	38,600	38,100	- 1.3
Dillard	11,796	14,502	+ 22.9
Elder-Beerman	1,137	1,133	N.C.
Federated	47,349	50,104	+ 5.8
May Dept. Stores	45,800	63,500	+ 38.6
Subtotal	141,966	185,860	+ 30.9
Child World	(80,943)	(104,153)	- 28.7
Toys "R" Us	10,340	14,523	+ 40.4
Subtotal	(70,603)	(89,630)	- 26.9
Clothesime	1,801	2,556	+ 41.9
Edison Brothers	4,700	(1,100)	N.M.
The Gap	10,200	16,200	+ 58.8
Subtotal	16,701	17,656	+ 5.7
Best Buy	1,156	1,617	+ 39.9
Federated Group	2,419	(6,902)	N.M.
Subtotal	3,575	(5,285)	N.M.
Total	404,075	485,220	+ 20.1

() Indicates loss N.C. No change N.M. = Not meaningful
Source: Chain Store Age research

ty retailing. Woolworth's first quarter profits were \$29 million, a 45% gain from the \$20 million recorded a year ago.

Discount stores, too, recorded one of their best first quarters. Comparing to an exceptionally strong period a year ago, the discounters nonetheless turned in equally strong profit gains this year.

Wal-Mart's 50.4% earnings increase predictably led the pack, but others were not far behind. Profits for New Jersey-based Jamesway were up 47%. North Carolina-headquartered Rose's recorded an 18% earnings gain. K mart's profits were up 26.1% for the quarter.

Zayre Corp. earnings gained 25.8% in the first three months, but within the figures was evidence of a less than robust rebound in its discount store division. Operating income for Zayre Discount Stores fell slightly for the first quarter and is down nearly 12% for the trailing 52-week period.

The specialty divisions at Zayre more than made up for the discount

store division's 1% profit decline in the quarter. The specialty stores, which include Hit or Miss and T. J. Maxx, recorded a 38% earnings gain.

Also showing a profit was Zayre's warehouse club division, which includes B. J's and HomeClub. The warehouse clubs posted a \$3.7 million profit in the first quarter, compared to a \$1.5 million loss in the same period a year ago.

Also showing strong profit increases were the department stores. May Dept. Stores, despite reported troubles in digesting its acquisition of Associated Dry Goods a year ago, still managed a 38.6% profit increase in the first quarter. Federated Department Stores recorded a more modest 5.8% earnings gain.

Dayton Hudson profits dipped slightly, but were the result of both weak performance by its Mervyn's promotional department store chain and startup costs associated with its Target discount store chain expansion into former Gemco locations in California.

Mixed results in May, sales up 10.4%

After a brisk Easter season, May was a disappointment for the nation's biggest retailers. Sales at most retail companies were below the unexpectedly fast pace set in the year's first quarter. For the 19 retailers tracked by *Chain Store Age*, May volume gained a combined 10.4%. In the 4-month-old fiscal year, sales are 10.8% ahead of 1986.

Just as the first quarter's stronger than expected sales pace caught many industry analysts without an explanation, May's slight slowdown leaves the retail gurus apparently equally perplexed. Last month's sales gains, for example, were widely attributed to apparel price hikes. Now the same industry watchers are pinning the blame for the month's sales slowdown on the very same inflation in apparel.

The two sides of the argument represent more than an academic exercise. If retail price hikes for apparel stick, the sales and profit climate for the remainder of the year looks good. If not, then it could be confirmation that shrinking disposable income and high installment debt are finally ready to take their toll in trimmed back buying plans.

Still, economists may be looking at the wrong numbers. Though disposable income shrank in May, employment continued to grow. Until employment figures cool down, the outlook for retail sales continues to look good.

Just how good May was depends upon whom you ask. Among the Big 3, only J. C. Penney was likely to applaud the month's results. Penney's sales gained 11.2% with same-store results up 10.7%. For Sears, the nation's largest retailer, May volume inched up a more modest 2%.

At Montgomery Ward, sales were up 3.1%, but the company characterized the increase as below plan. Ward's totals were negatively impacted by its exit from some highly seasonal merchandise categories. For the 4-month-old fiscal year, Montgomery Ward sales are 7.4% ahead of 1986.

Among the diversified department store companies, results for the month were equally mixed. May Dept. Stores, Dayton Hudson and Federated all recorded sales gains that were below their year-to-date performance. However, Los Ange-

May sales slow from first quarter pace

Major chains	% change	May sales*		Stores		4-mo. sales*		% change
		1987	1986	1987	1986	1987	1986	
Sears ^{1,2}	+ 2.0	\$ 2,009,756	\$ 1,970,610	806	799	\$ 7,925,800	\$ 7,633,289	+ 3.8
Penney ¹	+ 11.2	1,042,000	937,000	1,900	1,844	3,910,000	3,712,000	+ 5.3
Ward	+ 3.1	336,800	326,800	296	292	1,272,600	1,184,700	+ 7.4
May Dept. Stores	+ 9.1	792,000	726,000	2,817	2,513	3,088,600	2,805,500	+ 10.1
Dayton Hudson	+ 10.8	688,200	621,300	487	1,214	2,787,300	2,454,900	+ 13.5
Federated ³	+ 4.6	627,300	599,500	507	485	2,570,100	2,438,200	+ 5.4
Carter Hawley Hale	+ 8.6	262,800	241,900	316	279	1,092,200	1,017,700	+ 7.4
Mercantile	+ 6.8	155,832	145,967	82	80	615,196	574,527	+ 7.1
Carson Pirie Scott ⁴	+ 19.3	56,800	47,599	N/A	N/A	244,000	206,912	+ 17.9
K mart ⁵	+ 8.2	1,936,400	1,790,300	2,202	2,183	7,303,900	6,706,900	+ 8.9
Wal-Mart	+ 34.6	1,281,000	952,000	1,091	928	4,492,000	3,296,000	+ 36.3
Zayre	+ 20.7	451,200	373,800	1,107	1,011	1,747,000	1,467,000	+ 19.1
Woolworth ²	+ 6.6	290,000	273,000	N/A	N/A	1,224,000	1,153,000	+ 6.2
Ames	+ 8.7	157,000	144,500	468	452	598,900	515,300	+ 16.2
Bradlees	+ 10.2	150,000	136,000	166	156	553,000	507,000	+ 9.1
Tandy ²	+ 4.3	207,887	199,362	N/A	N/A	886,819	809,033	+ 9.6
Circuit City	+ 38.4	92,300	66,700	88	75	313,300	219,900	+ 42.5
Federated Group	+ 0.3	30,300	30,200	65	60	116,900	117,800	- 0.8
Best Buy	+ 126.1	25,100	11,100	24	12	92,300	47,454	+ 94.5
Totals & Averages	+ 10.4	\$10,592,675	\$ 9,593,638	—	—	\$40,833,915	\$36,867,115	+ 10.8

*000 omitted. N.C. = no change. N/A = not available.

¹Store number for full-line outlets only. ²Domestic operations only. ³Excludes supermarket sales. ⁴Retail division only. ⁵Continuing operations only. ⁶Store number for K mart stores only.

les-based Carter Hawley Hale and Chicago-based Carson Pirie Scott both posted sales increases that beat the pace set earlier in the year.

At May, its Volume Shoe division led the pack, recording an 11.4% same-store sales hike. May's Venture discount store division posted comparable-store results up 4%, while Caldor discount stores gained 6.7% store-for-store. May's department stores recorded same-store totals 2.4% ahead of last year.

Among the discount store field, Wal-Mart once again pulled out front with a 35% jump in overall sales, and a 12% same-store jump. At K mart, the nation's second larg-

est retailer, volume was ahead 8.2% for the month, but comparable-store results came in only 3.6% above last year.

For the electronics specialists, the results were more mixed. Richmond, Va.-based Circuit City recorded double-digit same-store sales hikes, and overall volume up 38% for the month. Minneapolis-based Best Buy, with twice as many stores this year, turned in sales 126% above last year's results.

Radio Shack operator Tandy recorded volume a more modest 4.3% ahead of last year, while City of Commerce-based The Federated Group posted a 5% dip in same-store results.

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